



ASSOCIATION FOR ENTERPRISE OPPORTUNITY

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January 10, 2005

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G St. NW
Washington DC 20552

Attention: No. 2004-53 & 2004-54

To Whom it May Concern:

The Association for Enterprise Opportunity (AEO) is the national trade and membership organization for over 450 microenterprise development organizations across the United States. Microenterprises, defined as businesses fewer than five employees and initial capital needs of \$35,000 or less, represent a unique segment of American businesses that are owned and operated by low and moderate income Americans with limited or no access to traditional forms of credit. Microenterprise development organizations work to bridge this gap by providing training, capital, and technical assistance to clients who wish to start their own business.

Your proposal to change the Community Reinvestment Act (CRA) regulations has the potential to provoke negative effects on low and moderate income communities. The proposed changes will lead to reduced lending, investment, and banking services in these communities. This proposal will also allow large thrifts to water down CRA exams. Finally, your proposal allows all savings and loans to serve affluent neighborhoods, and neglect low-and moderate-income neighborhoods in need.

Currently, large thrifts with more than \$1 billion in assets have a "three part" CRA exam consisting of a lending test, investment test and service test. Under the OTS proposal, a large thrift has the option to eliminate its investment and service tests, thus only having to pass a lending test. It could also drastically reduce the significance of the service and investment tests, meaning the lending test would count for nearly the entire total grade.

The danger with this proposal is that it allows all thrifts to get away with neglecting important community needs. By eliminating investment tests, it will not be required to finance affordable rental housing via Low Income Housing Tax Credits or finance small businesses via equity investments. By doing this thrifts can also abolish their service tests and not be required to place or maintain branches in low- and moderate-income communities. With no service test, the thrifts can also ignore the needs for remittances and other low-cost banking services. The "design your own easy CRA exam" option will increase the amount of abusive payday loans, check cashing, and other high cost services in low- and moderate-income communities since

National Office: 1601 North Kent Street, Suite 1101, Arlington, Virginia 22209
Phone 703.841.7760 Fax 703.841.7748 Email aeo@assoceo.org
Satellite Offices: Georgia • Illinois • Iowa • North Carolina
www.microenterpriseworks.org

thrifts will reduce their provision of basic banking services after implementing their own easy exams.

Finally, you would reduce vital opportunities for community groups and thrifts to meet with your agency to discuss CRA and anti-predatory lending matters when thrifts are merging. Under current regulation, your agency is required to hold two meetings to ensure that all facts and impacts of proposed mergers are thoroughly vetted. Your proposal would allow the OTS, at its own discretion, to hold only one meeting or to decline to hold a meeting. This is inadequate as merging institutions often conceal important data and information regarding CRA and fair lending compliance, and will only provide this information if repeatedly prodded by community groups during meetings with the regulatory agency.

Over the years, CRA has been effective because the banking agencies have issued regulations in a careful and uniform manner. We urge you to withdraw this latest proposal, which will have considerable negative effects on low-and moderate-income communities throughout the nation.

Should you have any questions, please feel free to contact me at 703-841-7760 or at bedwards@assoceo.org.

Sincerely,



Bill Edwards, Association for Enterprise Opportunity

cc. National Community Reinvestment Coalition